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March 20, 1991

The Honorable David L. Boren, Chairman
Select Committee on Intelligence
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

As you begin your series of hearings on the subject of Intelligence Community organization, I want you to know that you will have my full cooperation and that of senior Community managers. It is important to the President, to the Congress, and indeed to all of us in intelligence that the Community functions at its very best in the service of the nation.

Preparing to meet the challenges of the 1990s has been a central focus of mine. In earlier testimony, we in the Community outlined in general terms how we have been going about this task, and we expect to keep you fully informed as we further refine our plans. The Committee's efforts cannot help but enlighten the process, and I look forward to reviewing with you the results of your hearings and staff studies.

Sincerely,

William H. Webster

sent to
IG 4/5/91

Intelligence in a New World

William E. Colby

The Cold War is over, and even Checkpoint Charlie has been moved to a museum. Dozens of spy novelists must seek new circumstances for their tales of secret intrigue and fatal conflict. What is to be done with the intelligence services which fought the war? A syllogism puts one solution neatly:

Intelligence was an important element of the Cold War.

The Cold War is over.

Intelligence should be disbanded.

As with many syllogisms, this one is simple, clear, and wrong. Intelligence has an important role in the world of the 1990s, albeit a different one than in the previous decades. The question is what the role should be.

In recent years, the world has spent $1 trillion each year on military forces and weapons. Some 30 percent of this has been spent by the United States, some 30 percent by the Soviet Union, and some 20 percent by their NATO and Warsaw Pact allies, mostly on the confrontation between the two superpowers and their allies. If this confrontation is now history, and it is, a large peace dividend lies before these nations. It will not be immediate, as it will take some time to dismantle the huge forces facing each other and replace them with a new relationship between the powers. But some of this dividend will come from lesser intelligence efforts than both have had to devote to the contest between them.

The natural reaction of any bureaucracy to a change in the circum-

William E. Colby, counsel to the Washington law firm of Donovan Leisure Rogovin Huge & Schiller, was formerly a U.S. career intelligence officer who served as director of Central Intelligence from 1973 to 1976.

stances which long provided its rationale is to deny that the change has occurred, or at least that it is as sweeping as naive outsiders might believe. The second reaction is to search in some panic for new justifications for its role and existence and to offer these as reasons why the institution should continue its function. These may permit minor modifications from its previous focus, but certainly little reduction in the priority—and the budget—it has previously enjoyed.

A bit of this is going on these days in the intelligence profession (as well as in the Pentagon), both among its practitioners and loyal pensioners such as myself. Their views deserve respectful attention, as they know their business and they professionally take a long view, rejecting the temptations to find easy solutions in the immediate term for the long-term dangers they have spent lifetimes trying to understand and contend with. But their views must be judged in the full light of today's situation, against a sensible projection of what tomorrow's problems might really be. After all, this is what intelligence is all about: thinking of the future and what challenges it might pose to our nation and the world.

The cataclysm of change which has taken place in these recent months obviously requires a total reassessment of the intelligence function to face the new world, not a forced effort to justify more of the same in terms of programs and activities. It must start with a sober but imaginative analysis of the international scene and the forces and issues which will move it over the coming years. It should concentrate on the probable course of events, but include a consideration of the "wild cards" which could produce totally new problems, or even a reversion to some of the familiar ones of the past. On this kind of foundation a sensible identification of the missions and priorities of intelligence can be constructed, together with the organizations and policies necessary to achieve them.

An Intelligence Forecast of the 1990s

The changes in Eastern Europe are indeed "irreversible," as Director of Central Intelligence William Webster has testified. The Warsaw Pact has in fact evaporated, and the forces of the Eastern European nations, especially the East Germans, Poles, Czechoslovaks, and Hungarians, are no longer

available even nominally to march with the Soviets against the West. Whether the USSR shifts to the left with greater reform, moves back to the right with a reimposition of Stalinist discipline, or continues Mikhail Gorbachev's adroit maneuvering in the center ("the art of the possible"), the Soviet Union will be more preoccupied with maintaining its authority over its fractious nationalities and hungry peoples than seeking worlds to conquer outside its borders.

Given the complexity of force and weapons negotiations between the erstwhile superpowers and their allies, it is likely that these will not result in sweeping arms reduction agreements in the immediate future. But pressures will come onto the governments of both East and West to devote national resources to the more pressing needs of their citizens, and reduce those addressed to the military. Hard-liners may well resist these pressures, and claim that military expenditures are still necessary for insurance, but the changes in the world power balance will inevitably produce reductions in the expensive forces on both sides. Even an undirected evaporation of the military mechanisms which have characterized the Cold War is quite possible; any remaining expenditures for such purposes being justified only by other dangers to the safety and welfare of the citizens from ethnic, religious, or minority violence. A major subject of dispute and dissension will undoubtedly lie in the anomalies and irregularities of the arsenals which remain pointed between the powers when the rationale for their existence has disappeared but the diplomats and governments have not been able to agree on processes for their elimination. And there is at least a possibility that dissident elements or minorities could seize control over some remaining weapons, frightening all that they might fall into irresponsible hands from the tight control the superpowers exerted over them.

Aside from the superpower Cold War, of course, many other problems have in the past snarled international relations, and many of these will continue to generate concern, competition, and contest among nations. Nationalist conflict is not a thing of the past, as we have just seen in the Persian Gulf; however, the array into grand alliances may be over as a result of the superpower recognition of the impossibility of superpower war with the danger of escalation to the weapons of mass destruction. New

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security structures are also in the process of being built, such as the Conference on Security and Cooperation in Europe, to fill the gap of the disintegrating Warsaw Pact and of a NATO which no longer has a mission. Both the Iran-Iraq War of the 1980s and the recent Iraqi invasion of Kuwait offer a model of the kind of war which can occur in the 1990s, the great powers no longer lining up behind their respective allies and even cooperating to reduce the amount of disruption the conflict causes to such matters of common interest as the continued free flow of oil.

Economic issues will preoccupy many nations as they wrestle with trade disputes, unfair marketing, and imbalances in their costs of production stemming from government favoritism to home producers, labor exploitation, and intellectual property thievery. These may not threaten instant warfare, but they can generate retaliation, worry over the demise of established industries, and labor and sectoral unrest, especially among the influential agricultural sectors in many nations.

Many of these economic issues will become major social issues. Ethnic, religious, and tribal entities will react violently to each other's proximity and dispute holy territories and monuments. The fight against racial discrimination will flare up and major maldistributions of wealth, welfare, and prospects for the future will inspire attack. Such conflicts can then spread beyond the direct protagonists to the associates of the two sides, resulting in terrorist attacks, sabotage of productive institutions such as transportation, communication, and cultural targets, embargoes of key materials (e.g., oil), and other disruptions of normal human relationships. Many of these conflicts will be projections of the ones extant today, such as the Israel-Palestinian conflict, Kashmir, and a whole variety of ethnic disputes from Northern Ireland to Sri Lanka, but in the absence of superpower conflict they should no longer transfix the world with fear that superpower conflict might arise from them. These conflicts will have to be closely watched to prevent their developing the use of weapons of mass destruction, as the world now worries about Iraq, despite the efforts of the world community to slow their proliferation. But sad as any such use may be, it will probably only be local in its effects and not threaten humankind in the fashion the great superpower arsenals have for the past thirty years.

Several major problems will increase during the 1990s, such as explosive population and urbanization growth, and the frustration of the Third World at being left behind by the phenomenal economic advances which will occur in a unified Europe, a freely trading North America, and an East Asia which devotes more of its talents and energies to domestic development than to export promotion. Fundamentalism and traditionalism can become the beneficiaries of the stresses of inequality and the destruction of ancient mores and values by the spread of modern Western culture, and become as nasty in their manifestations as the policies of the Ayatollah Khomeini. These may also be pressure-cooked by the tensions produced by populations expanding beyond the resources necessary to care for them, producing desperate demands and violent attempts to satisfy them. And complaints at the cost of modernization to the environment, the discarding of wastes upon the undefended, and alienation from attacks on established cultural patterns (e.g., hard rock music) will all preoccupy populations and their leaders. Technology, and especially communications and transportation, will be the forcing elements of change, and correspondingly will become targets of those dispossessed or displeased.

To summarize the world of the 1990s, the supplanting of major military threat between the superpowers will cause more relative attention to be given to the kinds of international strains and stresses which may have been present during the 1980s and earlier, but which did not threaten the world's safety in comparison with the overarching threats posed by the superpowers. Dangers in international relations will remain, but the challenges of identifying and understanding them will be of a different order than the confrontation of the superpowers during the past decades.

The Intelligence Challenge Ahead

The Cold War may be over, but many of its paraphernalia are still very much around us. Until these can be dismantled by negotiations to reduce forces and weapons, or by the impatient political pressures of citizenries anxious to receive the peace dividend now rather than later, simple prudence will require all nations, and the United States, to keep an intelli-

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will be a

gence eye on the still-remaining weapons and forces of the superpowers and their potential allies. To the extent that the new mood in the capitals has created greater transparency of such forces, through internal glasnost or agreed inspection arrangements, the collection of much of the information for this purpose will be considerably easier than when the Soviet Union kept its affairs in the deepest of secrecy.

The greater transparency produces an additional benefit, against surprise. The prevalence of observers, both official and unofficial (including the media), would certainly provide early warning of a change in mood and political attitude well before it could be translated into a reactivation or alerting of forces to revive the kind of threatening posture we have lived with for so many years, with its potential for sudden attack from forward lines. This can allow intelligence to reduce the frequency of, although not eliminate, its technological searches (by satellite photography, electronic monitoring, and other techniques) of the opposing nation's territory and forces. Since these systems are highly costly, a sensible shift of this nature can provide substantial budgetary savings. These capabilities should not be abandoned entirely as they could take too long to reinstate if the threat arose again, but holding some capability in reserve or readiness rather than in operation would be a highly reasonable step to take. Indeed, a number of these technical marvels will also have a substantial role to play in monitoring Third World conflicts and the possible proliferation of weapons of mass destruction into new hands. Positive evidence such as they can provide could be a major factor for the world community to use to persuade or pressure a rogue state into abandoning such weapons in the interest of all. And research and development of yet more techniques to obtain information about what is happening on this great planet should be prosecuted with reasonable energy for the benefits they can produce in "national security" if needed for that purpose, or for normal human intercourse of an innocent character. One thinks of the advances in earth sensing from the early days of counting missiles to the modern open use of these techniques for economic and environmental planning, a benign purpose using the techniques developed for a Cold War.

The major change in intelligence as a result of the new age of glasnost will be a final shift of the primary concentration of intelligence from

collection to analysis. This has been a long time coming, even though William Donovan saw the preeminent importance of analysis during World War II, when he reached into American academia for the experts who could constitute the *center* from which "central intelligence" later derived. But when Cold War secrecy and contest made information hard to come by, except by fascinating secret operations and technological triumphs, and produced a demand for action-minded paramilitary and political warriors, the analysts took a back seat. The new era will put them where they should be: at the center of the intelligence process.

With a monolithic enemy, a secret glimpse into one corner of its affairs gave a reasonable expectation that the raw information gained was a good approximation of what was happening in the structure as a whole. The advent of glasnost and perestroika has changed the rules of the game. Information is all around us, expressed in emotional and hyperbolic speeches on the front pages of *Pravda*. The challenge is to interpret what it means, and which group and policy is apt to prevail. This task is for the analyst who can measure the statement of today against the background of the past, sense the appeal the different calls will have in the new marketplace of ideas, and touch the profound social, economic, cultural, and political forces at work—and in contest. Secret information can hardly reveal what the prime players do not know themselves, but analysts can gauge their relative probabilities of success.

The new provisions for the deliberate exchange of information between the powers, either through formal announcement or through agreed inspection visits under arms control agreements, also strengthen the analysts, who can work with certain information rather than sometimes murky material their secret collectors were able to furnish them in the past. It is even possible that the world will develop agreed central repositories of information, about social and economic affairs as well as military forces, to which all nations can contribute and which all can use as firm foundations for their judgments.

There are still some enemies in the new world: terrorists who endanger our air travelers or kidnap our citizens; religious fanatics who hate the Great Satan and its individual human representatives; drug lords enforcing their evil trade through random or directed brutality in defiance of law and

conscience; and anachronistic followers of failed Maoism, anarchism, or tribalism. While the bonanza of East German and other Eastern European intelligence records may show more clearly who some of these are and how they operated, new ones will arise amoeba-like, and demand the same careful identification and control their predecessors did. They will also require professional penetration with the best of espionage techniques and occasional imaginative action operations to mislead and frustrate their dangerous plans. If the locus of intelligence action in Eastern Europe moves from the shadowy back streets there to the libraries, the shift of the talents formerly required there might provide some welcome successes in the Middle East and other scenes of hatred and violence.

If economics becomes the primary concern of the developed nations as well as the developing ones which wish to catch up, intelligence will have a major role, both in government and in the private sector, in support of business decisions. Again the analyst will be the key player, operating with all the information a more open world will offer. Making order out of the chaotic deluge of facts and events so that plans for the future can be deliberately fashioned, projecting likely trends and developments—political, technological, and cultural—which can change the markets, procurement sources, and production techniques of the future, and conjuring up the unexpected so that some hedge against it can be formulated—all of these will require intelligence efforts of the first magnitude.

In a business, for example, a first order must be to organize so that the management has access to the information which is already in the enterprise but which is dispersed among the producers, the marketers, and the designers. Each of these has information about the market, competitors, distributors, and new technology of which management should be aware. Thus a company system must be established so that this information can flow to a center in which it can be properly analyzed and related to the company's activities and prospects. Management can then make the decisions necessary to exploit opportunities and ward off difficulties.

Counterintelligence will also be a requirement in the field of economics, to identify and permit a nation or an enterprise to counter competitive

efforts to acquire its trade secrets or intellectual property. This counterintelligence must not only focus on espionage or other illegal activity, but note serious efforts by competitors to collect even open information which suggests the enterprise's marketing, production, or distribution plans for the future, as a competitor doing so will certainly become active in efforts to preempt the enterprise there.

In the economic field, governments have special capabilities to collect and analyze significant information which can be of substantial value to their citizens' commercial, investment, and consumer interests. Much of this is now made available in the normal course of activity of such departments as Treasury, Commerce, and Agriculture, as well as through the specialized agencies such as the Securities and Exchange Commission, the Federal Reserve Bank, and a host of others. The intelligence community has also built up an excellent capability to produce economic reporting, either as an element of analyzing the strategic strength of potential adversary nations or to examine likely developments in products and materials of importance to our economic planning; e.g., the world oil trade.

Releasing such material as "intelligence" has not been entirely successful, as the media and the public have tended to believe it the product of some titillating collection process or even to have some manipulative intent. Providing the material to other departments for them to release it as their product, however, is a vehicle to make it available to the nation's private businesses for economic decision making to the degree the substance of the information or analysis appears persuasive. In the United States, it is not possible to release such information only to favored companies, nor even to confine it to American enterprises, because of the unfair competition which would be engendered. This may seem a limitation compared to other nations which do just that, but it is justified to keep the American competitive system as robust as possible and avoid the possibilities of corruption any less disciplined procedures might produce.

None of this economic "intelligence" work need involve the occult —and illegal—work of espionage, nor should it. Self-defense of the security of the nation does justify violating the laws of other nations against espionage to obtain information essential for our security. But three tests must be passed before such steps can be justified: How important is the

information being sought? How necessary is it that it be obtained secretly (and illegally)? What are the risks of disclosure and what would be the impact of disclosure of our use of such secret means? In other words, the information must be of high importance, it must not be obtainable by normal means, and the risk and impact of disclosure must not produce counterproductive effects. Seeking military or political information which can warn the nation against harm from a secretive potential adversary, when the risk of disclosure can be minimized and the impact will not substantially alter existing unfriendly relations, can certainly be a justifiable action. Seeking some commercial or industrial tidbit—probably from a politically allied nation—would almost never ("Never say never") be justifiable, in particular because the adverse effects of disclosure on our larger interests in free cultural and commercial intercourse could be immense. And clearly the "easy" way of obtaining economic information by espionage would hardly be worth the potential damage if most of it could be obtained by the innocuous techniques of methodical collection and analysis of openly available information, careful examination of a competitor's freely purchased product, and reasonable attention to his marketing and distribution efforts.

One aspect of intelligence operations will certainly change in a new world without superpower confrontation: relationships among intelligence services. During the Cold War, the United States and Soviet intelligence networks were on the front line of the contest between the two nations. Their allies likewise more or less lined up with their respective alliance leaders, with considerable difference between the discipline imposed by the Soviet Union on its satellites and the looser arrangements prevalent among the Western and other Free World allies.

This is a difficult subject to discuss, as some allied intelligence services say little or nothing about their activities (or even existence) publicly, and it is not for their friends to say things about them that they do not—at least if they hope to remain their friends. But clearly the end of confrontation and the dissolution of earlier alliances will offer the opportunity for some erstwhile adversaries to find that they have some common interests. Concern for the protection of innocent air travelers of all countries against terrorist bombs, for example, can lead to some mutual warnings, sharing of

information, and even some consultation on how such evil designs might be better identified and frustrated.

Such contacts will certainly be gingerly, at least at the outset, as both sides have an interest in protecting their sources, especially when they may have involved penetration of each other or might have value in the future if the wheel of world history should take another turn. And any intelligence service will not willingly reveal the identities of those who may have served it in the past, even if the individual may actually be dead. Such action could harm its opportunities to develop new sources in the future, either in the nation in question or in other new antagonists. The phenomenon of overturning a government, and the intelligence and security services which helped it retain power over the years, may indeed offer the revelation of the facts behind some of the mysterious events of past years (what *is* the real explanation for the bizarre attack on Pope John Paul II?), but full exposure is far from likely.

The end of the division of the world into two camps will also reduce the need for American intelligence to work closely with other services whose professional or ethical standards do not match ours. When in peril, one does not question too closely the full character of the neighbor who can provide the critical help, and some of the criticism of American intelligence work in the past conveniently overlooks the circumstances it faced at the time. In a less intense world, we can afford to be more discriminating, and close congressional review will ensure that we are, unless a local threat (e.g., from terrorists) truly justifies a temporary collaboration with an undesirable ally.

Covert action, or influencing foreign situations through secret or at least non-admitted means, will also undergo major change in the world ahead. The end of the Cold War will mean that not every contest in whatever small forum or nation in the world will ipso facto be a contest between the United States and the Soviet Union. Glasnost will mean that information and opinion countering the views of the controlling regimes of Eastern Europe will not have to be secretly inserted into opinion circles there. Local revolutions will be viewed with more equanimity by the major powers when the outcome will not determine which power will be able to place its military bases there or use the territory to project its influence in the region through subversive operations.

Recognition by the superpowers that the economic and social betterment of a nation's citizens is a higher priority and more satisfying than political or military dominance may not be copied by all the world immediately. But the end of their confrontation will free some of their resources for programs to improve the lot of other as well as their own peoples. Intelligence analysis will play a role in the selection of the most fruitful directions for such efforts, but the covert techniques formerly used need not be called upon to help. A model for the new world is the fashion in which the overt programs of the National Endowment for Democracy and the Board of International Broadcasting (Radio Free Europe and Radio Liberty) have taken over the tasks of supporting democratic development and the diffusion of news from the secret mechanisms developed by the Central Intelligence Agency decades ago to perform the same functions secretly. And even the new phenomenon of the "overt-covert" operation (such as American aid to the Afghan rebels, UNITA in Angola, or the non-Communist opposition in Cambodia) will allow such activities to receive closer review and control by Congress and the American people, while respecting the requirement by other nations that their role in assisting or allowing their territory to be used for access not be formally admitted.

The decline of tension among the powers will have another effect: increased legislative control of the intelligence services. Pioneered in the United States (at a high decibel level), this process has been spreading to other democratic nations (Canada, Sweden, and others) over the past decade as legislatures insist on a new relationship between the people's legislative representatives and their intelligence services, no longer content with blind support of their essential role of defending the nation against clear and present danger. The overturn of the Communist regimes in Eastern Europe has reinforced this process with the realization that the intelligence and security services of the old regime were pillars of its harsh power, so that many have been swept away or will be subjected to major changes in the absolute authority they wielded, and their persons will have to be screened for those responsible for the crimes of the past and others to be reoriented for service to a free society. Even in the Soviet Union, a new committee of the Supreme Soviet has been constituted to review and control the activities of the KGB, with all concerned cautiously

(and perhaps unbelievingly) examining how such a novel relationship might be structured.

Intelligence Needs for the Future

Satisfaction of the demands for intelligence coverage in the years ahead will require considerable changes in current staffing, technology, and capabilities. Certainly some savings from the reduction of the need for expensive technical systems can be expected, but attention to the new targets for intelligence will require that at least some of these savings be applied to new programs. If analysts can now obtain for the price of a subscription the kind of information once sought with great danger and difficulty by secret operations, at least some of the savings should be used to send the analysts on visits to the areas formerly denied to them, to increase their understanding of the cultural and social atmosphere they are assessing. If a reduction is possible in the translation of masses of data intercepted from communications, the language capability of analysts and observers should be improved to help them identify the subtleties in the newly available political polemics. If information about Eastern Europe becomes freely available to our media and diplomatic representatives, intelligence operators must turn their skills and language capabilities to the nations of the Middle East and elsewhere where dangers still threaten our citizens.

And hopefully, a less intense world atmosphere will enable the subject of intelligence to be considered with less excitement and passion than it has engendered to date. Such a change could improve our capability to develop programs and assets for the long term, instead of merely the immediate threat. Intelligence could be viewed by the media, Congress, and the public less as an exciting subject for exposure and more for its value in increasing American understanding of the complex world around us. And one of American intelligence's greatest needs—proper cover for its officers who serve their country abroad at the risk of their lives—could receive serious attention.

In 1945, President Harry Truman disbanded the Office of Strategic Services, the intelligence service William Donovan built to help the nation fight World War II. He soon discovered his mistake, and presided over the

formation of the Central Intelligence Agency to help the nation face the threat which became the Cold War. As the Cold War now ends, American intelligence needs to be redirected to meet the new challenges the nation faces. It is ready to do so, and apply the talents and energies of its personnel to the nation's service in the future.